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2 NOV 1984

MEMORANDUM FOR: Executive Director

FROM: Harry E. Fitzwater  
Deputy Director for Administration

SUBJECT: A Future CIA Retirement System

REFERENCE: Ex Dir Note to DD's, dtd 29 October 1984, same subject

1. We, including the Office of Personnel, all favor the third approach. The second approach in your paper is a necessary prelude to determine how we can achieve our goal as defined in your third option. Obviously, developments in the political arena, to a large extent, will dictate what is feasible.

2. We agree with your outline of what an appropriate Agency retirement system would include. We think the three most important aspects are:

- a. Continuation of an early retirement program. It is unclear to me whether your proposal (a), which suggests a basic benefit of 25 years of service, is intended to make that the minimum service prior to retirement. If so, we think that would be an error. The present CIARDS policy allows people to retire at age 50 with 20 years of service. Moving minimum time to 25 years of service could probably increase our retirement age significantly beyond what it now is.
- b. Two and a half percent for all employees, whether they qualify for CIARDS or not, while serving abroad. We can try for a higher percentage, e.g., 4%, but I suggest the cost realities will eventually force us back to 2 1/2%, a line we should hold.

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- c. A single CIA retirement program for all Agency employees and which continues as a subset the 60 months qualifying time for early retirement as is now the case in CIARDS. We think it is administratively important to stick with a set percentage figure for overseas or similarly hazardous duty and not leave individual judgments to a retirement board. One of the key factors in a retirement program is ease of understanding for the employees. If I understand it correctly, your percentage proposal in paragraph (b) might be difficult to explain and even more difficult to administer. A set rate at any level could achieve the purpose without any confusion.

3. We endorse the formula contribution plan. It will probably be included in any Congressional action.

4. Regarding your paragraph (d), we see the merit in some type of system which would encourage people to leave earlier rather than later. This has to be handled with some care, however, lest we lose our potential senior executives just as they reach an age to make important contributions. A statistical study reveals that, for an average Agency career, it takes approximately 24 years to go from GS-08 to GS-15. If 25 years was the cut-off date, we could well deny ourselves the services of the key people we want to retain. Those who would opt to leave under this type of financial pressure could, in fact, be those we least want to lose. A system of bonuses for people to stay would put us in conflict with the law governing stipends and performance awards. There are, however, other ways to achieve this goal. Similarly, the lower grade levels (GS-07 and GS-08) could be forced out at a most inconvenient time for them and the service. How, for example, would we handle a single female who joined the Agency at age 20? Would we really want to force her out at age 45? I suggest not. I believe the disincentive aspect needs more study, which OP is now doing.

25X1

Harry E. Fitzwater

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